



October 2006

# **Legislative Audit Division**

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**State of Montana**

**Report to the Legislature**

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## **Financial-Compliance Audit For the Fiscal Year Ended June 30, 2006**

### **The Office of State Public Defender**

**This report contains an unqualified opinion on the financial schedules and no recommendations to the office.**

**Direct comments/inquiries to:  
Legislative Audit Division  
Room 160, State Capitol  
PO Box 201705  
Helena MT 59620-1705**

**06-30**

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## **FINANCIAL-COMPLIANCE AUDITS**

Financial-compliance audits are conducted by the Legislative Audit Division to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States Government Accountability Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

Government Auditing Standards, the Single Audit Act Amendments of 1996 and OMB Circular A-133 require the auditor to issue certain financial, internal control, and compliance reports. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 2007, will be issued by March 31, 2008. The Single Audit Report for the two fiscal years ended June 30, 2005, was issued on March 6, 2006. Copies of the Single Audit Report can be obtained by contacting:

Single Audit Coordinator  
Office of Budget and Program Planning  
State Capitol  
Helena MT 59620  
Phone (406) 444-3616

Legislative Audit Division  
Room 160, State Capitol  
PO Box 201705  
Helena MT 59620-1705

### **MEMBERS OF THE LEGISLATIVE AUDIT COMMITTEE**

Senator Joe Balyeat, Vice Chair  
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Senator Jim Elliott  
Senator Dan Harrington  
Senator Lynda Moss  
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Representative Hal Jacobson  
Representative Christine Kaufmann  
Representative Scott Mendenhall  
Representative John Musgrove, Chair  
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# LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor  
Tori Hunthausen,  
Chief Deputy Legislative Auditor



Deputy Legislative Auditors:  
James Gillett  
Jim Pellegrini

October 2006

The Legislative Audit Committee  
of the Montana State Legislature:

This is our financial-compliance audit report on the Office of State Public Defender (office) for the fiscal year ended June 30, 2006. The objectives of our audit included: 1) determining if the office's financial schedules presented fairly its financial position and results of operations at and for the period ended June 30, 2006; 2) determining if the office complied with applicable state laws and regulations; and 3) obtaining an understanding of the office's control systems and, if appropriate, making recommendations for improvement in the internal and management controls of the office.

The office was created by the 2005 Legislature and is codified in Title 47 of the Montana Code Annotated to ensure equal access to justice for the state's indigent. The office is responsible for the design, direction, and supervision of this new statewide public defender system. An 11-member Public Defender Commission supervises the public defender system and the office administers the system. The commission members are appointed by the governor and serve 3-year staggered terms. The commission appoints a Chief Public Defender who is the head of the office and charged with hiring staff to perform the functions of the office.

The new system was effective on July 1, 2006. During fiscal year 2005-06, the office was responsible for establishing regional offices, hiring qualified counsel, and establishing accounting, fiscal, and operating policies and procedures. For fiscal year 2006-07, the office is budgeted for 90.25 full time equivalent (FTE). The office actually plans to hire staff equivalent to 192.75 FTE. The office transferred part of its "other services" budget to fund these additional FTE. The office also has over 100 contract public defenders who may be used by the office when needed.

Beginning on page A-1, you will find the Independent Auditor's Report followed by the financial schedules and accompanying notes. We issued an unqualified opinion, which means the reader

can rely on the presented information. The office's response to this report is included on page B-1.

The report does not contain any recommendations to the office. This is the first financial-compliance audit report issued for the office.

We thank the Chief Public Defender and her staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

*/s/ Scott A. Seacat*

Scott A. Seacat  
Legislative Auditor

## Appointed and Administrative Officials

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<b>Public Defender Commission</b>	Jim Taylor, Chair	July 1, 2008
	Stephen Nardi, Vice-Chair	July 1, 2009
	Betty Bishel	July 1, 2007
	Daniel Donovan	July 1, 2008
	Caroline Fleming	July 1, 2008
	Jennifer Hensley	July 1, 2008
	Wendy Holton	July 1, 2007
	Doug Kaercher	July 1, 2009
	Ivan Small	July 1, 2009
	Mike Sherwood	July 1, 2007
	Tara Veazey	July 1, 2007

### **Office of the State Public Defender**

Randi M. Hood, Chief Public Defender  
Harry Freebourn, Administrative Director

For additional information concerning the Office of State Public  
Defender contact:

Harry Freebourn, Administrative Director  
Office of the State Public Defender  
44 West Park Street  
Butte, MT 59701  
(406) 496-6080  
e-mail: [hfreebourn@mt.gov](mailto:hfreebourn@mt.gov)

Members of the audit staff involved in this audit were  
David Brammer, Jeane Carstensen-Garrett, Jennifer Erdahl,  
John Fine, and Amber Thorvilson.

# LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor  
Tori Hunthausen,  
Chief Deputy Legislative Auditor



Deputy Legislative Auditors:  
James Gillett  
Jim Pellegrini

## INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee  
of the Montana State Legislature:

We have audited the accompanying Schedule of Changes in Fund Balance, Schedule of Total Revenues & Transfers-In, and Schedule of Total Expenditures & Transfers-Out of the Office of State Public Defender for the fiscal year ended June 30, 2006. The information contained in these financial schedules is the responsibility of the office's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, the financial schedules are presented on a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The schedules are not intended to be a complete presentation and disclosure of the office's assets and liabilities.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balance of the Office of State Public Defender for the fiscal year ended June 30, 2006, in conformity with the basis of accounting described in note 1.

Respectfully submitted,

*/s/ James Gillett*

James Gillett, CPA  
Deputy Legislative Auditor

August 9, 2006



OFFICE OF STATE PUBLIC DEFENDER  
SCHEDULE OF CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	General Fund
FUND BALANCE: July 1, 2005	\$ <u>0</u>
ADDITIONS	
NonBudgeted Revenues & Transfers-In	417
Direct Entries to Fund Balance	<u>470,774</u>
Total Additions	<u>471,191</u>
REDUCTIONS	
Budgeted Expenditures & Transfers-Out	<u>753,162</u>
Total Reductions	<u>753,162</u>
FUND BALANCE: June 30, 2006	\$ <u><u>(281,971)</u></u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-7.



OFFICE OF STATE PUBLIC DEFENDER  
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	General Fund
TOTAL REVENUES & TRANSFERS-IN BY CLASS	
Taxes	\$ 417
Total Revenues & Transfers-In	<u>417</u>
Less: Nonbudgeted Revenues & Transfers-In	417
Prior Year Revenues & Transfers-In Adjustments	<u>0</u>
Actual Budgeted Revenues & Transfers-In	0
Estimated Revenues & Transfers-In	
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ <u><u>0</u></u>
 BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS	
Taxes	\$ 0
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ <u><u>0</u></u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-7.

OFFICE OF STATE PUBLIC DEFENDER  
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT	<u>Office of Public Defender</u>
Personal Services	
Salaries	\$ 278,241
Other Compensation	5,950
Employee Benefits	76,222
Total	<u>360,413</u>
Operating Expenses	
Other Services	24,478
Supplies & Materials	205,420
Communications	19,234
Travel	40,001
Rent	40,377
Other Expenses	2,586
Total	<u>332,096</u>
Equipment & Intangible Assets	
Equipment	60,653
Total	<u>60,653</u>
Total Expenditures & Transfers-Out	<u>\$ 753,162</u>
EXPENDITURES & TRANSFERS-OUT BY FUND	
General Fund	\$ <u>753,162</u>
Total Expenditures & Transfers-Out	753,162
Less: Nonbudgeted Expenditures & Transfers-Out	
Prior Year Expenditures & Transfers-Out Adjustments	<u>753,162</u>
Actual Budgeted Expenditures & Transfers-Out	753,162
Budget Authority	764,656
Unspent Budget Authority	<u>\$ 11,494</u>
UNSPENT BUDGET AUTHORITY BY FUND	
General Fund	\$ 11,494
Unspent Budget Authority	<u>\$ 11,494</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-7.



# The Office of State Public Defender

## Notes to the Financial Schedules For the Fiscal Year Ended June 30, 2006

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### 1. Summary of Significant Accounting Policies

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#### Basis of Accounting

The office uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental fund category General Fund. In applying the modified accrual basis, the office records:

Revenues when it receives cash or when receipts are realizable, measurable, earned, and available to pay current period liabilities.

Expenditures for valid obligations when the office incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the office to record the cost of employees' annual and sick leave when used or paid.

#### Basis of Presentation

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the state's accounting system without adjustment. The office uses the following fund:

#### Governmental Fund Category

**General Fund** – to account for all financial resources.

### 2. General Fund Balance

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The negative fund balance in the General Fund does not indicate overspent appropriation authority. The office has authority to pay obligations from the statewide General Fund within its appropriation limits. The office expends cash or other assets from the statewide fund when it pays General Fund obligations. The office's outstanding liabilities exceed the assets it has placed in the fund, resulting in negative ending General Fund balance for the fiscal year ended June 30, 2006.

### 3. Direct Entries to Fund Balance

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The direct entry to fund balance in the General Fund is an entry generated by SABHRS to reflect the flow of resources within individual funds shared by separate agencies.



## **Office Response**

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# OFFICE OF THE PUBLIC DEFENDER



Randi M. Hood  
Chief Public Defender

STATE OF MONTANA

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FAX: (406) 496-6098

44 West Park Street  
Butte, MT 59701

September 22, 2006

RECEIVED

SEP 29 2006

LEGISLATIVE AUDIT DIV.

Mr. Scott A. Seacat  
Legislative Audit Division  
Room 160, State Capitol  
Helena, MT 59620-1705

Dear Mr. Seacat:

The Office of the State Public Defender (OPD) appreciates the efficient and professional approach of the audit staff involved during your audit of our FY 2006 information. We are pleased with your issuance of an unqualified opinion without any audit recommendations on the financial statements we have presented.

The management and staff of OPD are very proud of our accomplishments in serving Montanans in need of public defender services.

Sincerely,

A handwritten signature in black ink that reads "Randi M. Hood".

Randi M. Hood  
Chief Public Defender